

OUT OF POCKET REIMBURSEMENT Policy





Thabachweu Local Municipality

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1 DECLARATION OF INTENT

Municipal Finance Management Act endeavours “to secure sound and sustainable management of the fiscal and financial affairs of municipalities and municipal entities by establishing norms and standards and other requirements.”

In particular, Chapter 8 of the MFMA places the onus on each employee within the Municipality to take responsibility for the effective, efficient, economical and transparent use of financial and other resources within that employee’s area of responsibility.

2 OBJECTIVE

The objective of this policy document is to clearly define the responsibilities of the Thaba Chweu Local Municipality employees in respect of expenditures incurred by individuals who are to be reimbursed from Council operating, and capital budget.

3 TERMINOLOGY AND DEFINITION

'Out-Of-Pocket Expenses'

An expense incurred and paid for by an individual for personal use, or relating to one's employment or business. This can also relate to ongoing costs of operating a fixed asset.

‘Reimbursement’

To repay (money spent); refund.

4 SCOPE OF APPLICATION

This policy is relevant to all employees of the Municipality, whether full-time or part-time. It is, however, specifically applicable to the Council, Accounting Officer, Chief Financial Officer, Senior Manager’s, Officials and all employees whether full-time or part-time. In particular, the duly appointed Directorate and responsibility managers have significant roles to adhere to:

- *Supply Chain Management Regulation 12(1)(a) provide for the procurement of goods and services by way of petty cash/out of pocket expenditure purchases, up to a transaction value of R2,000 (VAT included);*
- *The policy for provision of funds for out of pocket expenditure, procedures for*



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the administration thereof and control of the eventual allocation of costs against the various Ledger Votes is and remains the responsibility of the Executive Director: Finance and his/her assignees.

5 GOVERNING PRESCRIPTS

This Policy has been formulated in terms of the Municipal Finance Management Act, 2003 (Act 56 of 2003).

6 Procurement of Goods and Services

The expense claim process is intended to reimburse employees for below mentioned expense guideline incurred while on behalf of the Council. All purchases of goods and services shall comply with the Supply Chain Management Policy and Procedure on the Procurement of Goods and Services, shall utilize Vendors of Record (Database) where possible, and shall be directly billed to and paid by the Municipality's Accounts Payable office. Accordingly, the Thabachweu Local Municipality will only reimburse employees for nominal purchases of goods where the merchant is unable to directly bill the Municipality. In all cases, the Council will not process a reimbursement pertaining to consulting or employment services.

7 EXPENSE GUIDING PRINCIPLES

While the Council will reimburse reasonable expenses incurred by employees on behalf of the Municipality, it has also established Expense Guiding Principles as to what will be considered reasonable in most cases.

Eligible Expense Criteria

The following are reasonable cases to be considered for reimbursement:

7.1 Service Delivery related – reimbursement will **ONLY** be considered if the items required were procured accordingly following Supply Chain Management Procedures and supplier failed to deliver.

7.2 Meeting Hosting Meals – Reimbursement will only be considered if the Meeting held involves external personnel and the meeting is scheduled for four hours and plus.



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7.3 Accommodation - Employees shall be reimbursed for reasonable accommodation expenses, considering all of the circumstances.

The following principles must also be considered to improve the financial viability of the Municipality:

- To secure the sound and sustainable management of the financial affairs of municipalities and other institutions in the local sphere of government;
- To establish treasury norms and standards for the local sphere of government;
- Ensuring transparency, accountability and appropriate lines of responsibility in the fiscal and financial affairs of municipalities and municipal entities;
- The management of the municipality's revenues, expenditures, assets and liabilities and the handling of their financial dealings.

8 Deviation from Expense Guidelines Principles:

Any deviation from this Procedure requires advance approval from a Chief Financial Officer, or the Accounting Officer and shall be supported by a written, detailed justification.

9 Limitations on Reimbursable Expenses:

The Council will not reimburse the following expenses:

- expenses which are being claimed by an employee as a tax deduction;
- expenses which are recoverable from a third party;
- furniture and furnishings bought;
- training coverage not approved by the council
- expenses not incurred for business purposes;
- expenses related to travel companions;
- gift purchases for employees.



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10 PROCEDURES

10.1 COMPLETION OF CLAIM FORM

Claims for reimbursement shall:

- *be submitted on the appropriate Out of Pocket expense claim form;*
- *be accompanied by original receipts, invoices, not exceeding a total amount of R2 000.00.*
- *be clearly identified by date, type of expense, and purpose;*
- *be signed by the claimant and any other persons specified herein or by any special terms of the contract authorizing the funds;*

10.2 AUTHORIZATION OF CLAIM

Claims shall be approved, in all cases, where the claimant is listed as a Approver, then approval shall be obtained from the person to whom the claimant reports.

Claims and advances shall be authorized by a signing authority in the budget office for verification of fund prior submission and authorisation by Chief Financial Officer

NB: The person responsible for approving claims shall determine whether the expenses being claimed are valid and eligible; have been incurred in compliance with Municipality's policies and guidelines; have been adequately documented in accordance with the Documentation Standards stated in this Procedure; and that sufficient funds remain in the vote to cover the expenditures

10.3 PROCESSING OF CLAIMS

-Claims made hereunder shall be submitted to the Accounts payable office (Creditors), Finance Department.

-Wherever possible, reimbursement to the employee shall be by direct Electronic Funds Transfer to his/her bank account.

-All expense claims is subject to subsequent audit.

-Ineligible expenses identified through an audit shall be reimbursed to Thabachweu Local Municipality by the claimant.



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Date:
Out Of Pocket Reimbursement Policy
Version 1.1

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10.4 Incomplete Claims

Claims which have not been properly prepared, authorized or supported by documentation shall be returned to the claimant by the Approval Authority or Accounts Payable Office, Finance Department, with reasons given for not processing the claim



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Version Control

Version	State/Change	Author	Date
1.0	Original	Matukisho Mkhabela	
1.1	Changes	Matukisho Mkhabela	

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